

HUBZone Participants and Applicants,

As you may have heard, last week the U.S. Department of Justice secured the first conviction for fraud committed by an applicant to the U.S. Small Business Administration's HUBZone program. We applaud the work of the Justice Department in this matter and appreciate its tenacity in pursuing the charges against the individual responsible. This action should serve as a warning to anyone attempting to defraud the government in any way relating to the HUBZone program. The SBA will work with its federal partners to aggressively pursue those believed to have committed fraud.

To that end, and to ensure proper management of the program, the SBA has taken several steps:

- Most importantly, SBA recently put new leadership in charge of the HUBZone office. The new team is dedicated to implementing reforms recommended by the GAO, Office of Advocacy, and SBA senior management. The SBA is currently recruiting additional staff with the needed skill sets to address these challenges and implement the changes to be undertaken.
- SBA has issued guidance to HUBZone firms that the agency may ask any HUBZone firm to document its eligibility at any time as part of a program examination. The agency will immediately move to decertify a company upon a finding of ineligibility.
- The agency is instituting program examinations and performing site visits of HUBZone companies that have received HUBZone contracts to verify facts relating to their eligibility.
- SBA will immediately move to decertify and begin suspension and debarment proceedings against any HUBZone firm that is found to have intentionally misrepresented its eligibility status to the SBA in order to obtain a government contract. The agency has appointed a new suspension and debarment official who will work with others agencies to propose government-wide debarment, if appropriate.
- SBA will be working with its Office of the Inspector General to investigate certain HUBZone firms and prosecute abuses.
- This month, a contract was executed to update and recertify the HUBZone map to ensure it remains accurate and continually up-to-date.
- SBA will soon release new guidelines for the HUBZone application process. The guidelines will provide explicit guidance about supporting documents and verification required in the application process to certify a firm's HUBZone status.

- SBA is working through the backlog of recertification applications, and is now more than 80 percent through that process. The remaining backlog will be completed by the end of the fiscal year. Processes are being re-worked to enable the agency to process future recertifications faster.
- To manage the program properly, the agency will revamp how it assesses the program's overall effectiveness. A methodology to do this evaluation is being developed and will be released for public comment in August. After receiving public comments on the methodology, and making necessary changes, the agency will publish a final methodology and begin the evaluating the program's effectiveness and management.
- SBA is contracting with an independent auditor to perform an in-depth analysis of the entire program. This audit will be the basis to make several more program improvements: introduce proper internal controls, make necessary policy changes, training, process improvements, IT modernization to handle the additional controls and processes, implement quality controls to ensure data integrity, and to identify the weaknesses in the program on an ongoing basis.

These reforms have begun, and will result in a more effective HUBZone program, managed more efficiently and effectively. They will also ensure the agency maintains the proper oversight, and internal controls, over the entire program.

Office of Government Contract and Business Development
U.S. Small Business Administration